

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Berrien County Building Authority	County Berrien
Audit Date December 31, 2004	Opinion Date April 8, 2005	Date Accountant Report Submitted to State: July 12, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

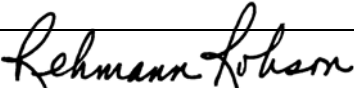
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			x
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

# **BERRIEN COUNTY BUILDING AUTHORITY**



## **Basic Financial Statements**

**For the Year Ended December 31, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# BERRIEN COUNTY BUILDING AUTHORITY

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT**

April 8, 2005

To the Commissioners of the  
Berrien County Building Authority Board  
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***Berrien County Building Authority, a component unit of Berrien County***, as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Berrien County Building Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Berrien County Building Authority as of December 31, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



# **BASIC FINANCIAL STATEMENTS**

**BERRIEN COUNTY BUILDING AUTHORITY**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**December 31, 2004**

	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 372,710	\$ 372,710	\$ -	\$ 372,710
Leases receivable	8,038,257	-	8,038,257	-	8,038,257
Total assets	<u>\$ 8,038,257</u>	<u>\$ 372,710</u>	<u>\$ 8,410,967</u>	<u>-</u>	<u>8,410,967</u>
<b>Liabilities</b>					
Accrued interest payable	\$ -	\$ -	\$ -	110,967	110,967
Deferred revenue	8,038,257	-	8,038,257	(8,038,257)	-
Long-term liabilities:					
Due in one year	-	-	-	625,000	625,000
Due in more than one year	-	-	-	7,675,000	7,675,000
Total liabilities	8,038,257	-	8,038,257	372,710	8,410,967
<b>Fund balances</b>					
Unreserved, undesignated	-	372,710	372,710	(372,710)	-
Total liabilities and fund balances	<u>\$ 8,038,257</u>	<u>\$ 372,710</u>	<u>\$ 8,410,967</u>		
<b>Net assets</b>					
Unrestricted				<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**BERRIEN COUNTY BUILDING AUTHORITY**  
**Statement of Activities and**  
**Governmental Funds Revenue, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2004**

	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenue</b>					
Intergovernmental	\$ 951,175	\$ -	\$ 951,175	\$ (600,876)	\$ 350,299
Interest revenue	-	6,876	6,876	-	6,876
Total revenue	951,175	6,876	958,051	(600,876)	357,175
<b>Expenditures / expenses</b>					
Public works	-	744,466	744,466	(744,466)	-
Debt service:					
Principal	600,000	-	600,000	(600,000)	-
Interest and fiscal charges	351,175	-	351,175	6,000	357,175
Total expenditures / expenses	951,175	744,466	1,695,641	(1,338,466)	357,175
Change in fund balances / net assets	-	(737,590)	(737,590)	737,590	-
<b>Fund balances / net assets</b>					
Beginning of year	-	1,110,300	1,110,300	(1,110,300)	-
<b>End of year</b>	\$ -	\$ 372,710	\$ 372,710	\$ (1,110,300)	\$ -

The accompanying notes are an integral part of these financial statements.

# BERRIEN COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Berrien County Building Authority (the “Authority”) was incorporated under the authority of Act 31, Public Act of Michigan, as amended. The purpose of the Authority is to acquire, furnish, renovate, construct and maintain buildings and other facilities for the use of the County.

**Reporting Entity** - These financial statements represent the financial position and the changes in financial position of a blended component unit of Berrien County (the “County”) and are an integral part of that reporting entity.

**Authority-wide and Fund Financial Statements** – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Revenue, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

**Debt Service Fund** - This fund accounts for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

**Capital Projects Fund** - This fund accounts for the use of financial resources segregated for the construction/renovation of major capital facilities.



# BERRIEN COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

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***Cash and Cash Equivalents*** – The Authority’s cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less from the date of acquisition. State statutes authorize local governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations.

***Long-term Obligations*** – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses, if any, are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss, if any. Bond issuance costs, if any, are reported as deferred charges.

### 2. CASH AND INVESTMENTS

At year-end, the carrying amount and bank balance of the Building Authority’s deposits were \$372,710. Cash categorizations are included in the County’s basic financial statements to give an indication of the level of risk assumed by the County at year-end. It is not feasible to allocate the level of risk to the various component units of the County.

### 3. LEASES RECEIVABLE

The Authority has entered into various lease agreements with the County for buildings acquired or constructed by the Authority. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal (plus accrued interest). Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the County.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the Authority’s leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessee to use, operate and maintain the property, at its own expense, subject to the terms and conditions of the agreements.

# BERRIEN COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

### 4. LONG-TERM OBLIGATIONS

The Building Authority has issued general obligation bonds to finance the construction or purchase of facilities. Such bonds are to be repaid from rental payments by the County. The Authority has pledged its full faith and credit for payment on the general obligation bonds.

The Building Authority has the following bond issue outstanding:

2002 Berrien County Building Authority, \$10,200,000,  
maturing through 2015 in annual amounts ranging  
from \$575,000 to \$900,000, plus interest at rates ranging  
from 3.00% to 4.65%. **\$ 8,300,000**

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 625,000	\$ 332,900	\$ 957,900
2006	625,000	311,337	936,337
2007	675,000	289,462	964,462
2008	675,000	265,868	940,838
2009	725,000	241,200	966,200
2010-2014	4,075,000	744,838	4,819,838
2015	900,000	40,950	940,950
<b>Total</b>	<b><u>\$ 8,300,000</u></b>	<b><u>\$ 2,226,525</u></b>	<b><u>\$ 10,526,525</u></b>

The following is a summary of changes in long-term obligation transactions for the year ended December 31, 2004:

Total debt outstanding - January 1, 2004	\$ 8,900,000
Proceeds from long-term debt	-
Less principal payments	<u>(600,000)</u>
<b>Total debt outstanding - December 31, 2004</b>	<b><u>\$ 8,300,000</u></b>
<b>Due within one year</b>	<b><u>\$ 625,000</u></b>

# BERRIEN COUNTY BUILDING AUTHORITY

## Notes To Basic Financial Statements

### 5. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the authority-wide statement of net assets, which reconciles fund balances to net assets:

<b>Fund balances</b>	\$ 372,710
<b>Adjustments:</b>	
Leases receivable are not <i>current financial resources</i> and therefore are deferred in the governmental funds	8,038,257
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(8,300,000)
Accrued interest on bonds payable	<u>(110,967)</u>
<b>Net assets</b>	<u><u>\$ -</u></u>

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the authority-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

<b>Net change in fund balances</b>	\$ (737,590)
<b>Adjustments:</b>	
Amounts received for the payment of certain bond principal and interest is recorded in the funds as revenue. For the statement of activities, a portion of this revenue is eliminated and treated as a reduction of the lease receivable.	
Rental revenues	(600,876)
Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for <i>net assets</i>	600,000
Change in accrued interest on bonds payable	(6,000)
Payments for the acquisition/construction of capital facilities are reported as expenditures in the funds, but are treated as an increase of the lease receivable for the authority-wide statements	<u>744,466</u>
<b>Change in net assets</b>	<u><u>\$ -</u></u>

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